

BEGIN TRANSCRIPT

>>And welcome to the 2019 CalPERS Board Retired Member Candidate Forum. This Forum is being held in the CalPERS Auditorium and its also being streamed online live. I'm Paula Lee, a member of the league of women voters of Sacramento County. And I'll be today's moderator. The league of women voters is a non-partisan non profit organization of women and men. Our mission is to encourage participation in government through education and advocacy. We do not support or appose or evaluate political candidates or parties. It's in your interest to know who the candidates are and what they stand for and how it relates to you. Just before we begin, I'd like to mention that if you have campaign materials for distribution, please leave them on the table in the other room. No campaigning in this room. And audience, thanks for being here today. Good size audience. We invite you to submit your questions on cards that you have already seen. And Claudia, raise your hand back there, Claudia. Claudia, if you need another card for a question or if you would like Claudia to pick up your question, just raise your hand and she'll bring them up here. Charlene, also a league member, is sitting up here. She sorts through the questions just to avoid redundancy and so we can get through as many topics as possible. Teresa, in the front row is our timer and candidates, keep your eye on her. She will give you the 30-second sign. And she has a stop sign. There are two candidates running for the retired member position. Henry Jones, the inbummen, and Joseph or JJ Jelincic, a retired investment officer. We might go over. We have a lot of questions already. Will be as follows.

The candidates will make a two-minute opening statement and will have up to two minutes to answer the questions that we have and we will wrap up the forum with a two-minute closing statement from each candidate.

Teresa is right in the front row. We'll add rebuttals to this forum today and I've already explained that to the candidates. If they have something they'd like to rebut, they get my attention and they have a 15-second period of time to make a statement as a rebuttal. The stop sign goes up when your time is up. And for the audience, please no applause or noise until the very end of the forum. So we'll start now with an opening

statement from Mr. Henry Jones, the incumbent.

>> Thank you for paying attention to this vital election. And thank you to the league of women voters for facilitating and moderating this forum. I'm Henry Jones, and I'm proud to have served on the PERS board since 2008. This year I was elected president of the board and I'm the first retiree president and the first African-American president of the CalPERS board. I began my career with the Los Angeles unified school district in 1961 as a custodian right out of high school. Then I retired 37 years later after 12 promotions to become and served as chief financial officer.

During my service as CFO, I never forgot my days as a custodian. I've spent my career doing everything I can to protect promises of retirement security and healthcare for people just like me. I also served as a board member of the school's federal credit Kim Jong Un for 20 years and also served as chair, serving 20,000-plus custodians, school police, electricians, accountants, clerks, bus drivers, custodians, and others. I was a board member of the CASBO,

California association of school business officials, for 15 years, and served as finance chair for the California association of school administrators. When I first chose to run for the percent retiree seat, hi paid into the system for nearly four decades like many of you. I wanted to ensure CalPERS kept its promise to more than the 1.9 million members who paid their benefits as promised. As a public employee and widower -- that was a quick two minutes. Okay. All right. I'll follow up later. Thank you.

>> Thank you.

>> Thank you. Mr. Jelincic.

>> I'm JJ Jelincic, and I'm seeking your vote. I have a BA in economics, an MBA in finance, a CFA, which is a financial analyst designation to investments, what a CPA is to accounting. I retired after 33 years in the investment office, served eight years on the CalPERS board as a member at large. I'm the past president of CSEA, past chair of bargaining one. Everyone needs to remember that these are trust funds. They belong to the beneficiaries. It is your money, and you deserve to know how it is spent and invested.

The incumbent doesn't believe that statement. He actually filed a legal action to try

and block it. He felt it was not truthful and inherently misleading. We should avoid doing bad. We should strive to do good. But it is our job to do well. These funds exist for the purposes of paying benefits. Healthcare is obviously an issue. And the issue is not that your healthcare costs too much. It's that healthcare in this country costs too much.

PERS is the second largest purchaser of healthcare in the nation and needs to start using its muscle to bring that cost curve down, but it's important that we not limit access or quality. People have asked why I would challenge an incumbent, and it's simple. I've watched him for years and I don't believe he's been doing a good job for retirees. He's become a puppet of management and not its monitor. Thank you.

>> Teresa, we have a rebuttal.

>> Yes. I just want to clarify. Mr. Jelincic indicated the filing was questioning his experience. It was not. I was questioning his untrue statements about my character, and I was able to get agreement to remove those things.

>> Okay. We'll begin the first question with --

>> Quite frankly, the --

>> Do you have a rebuttal?

>> Yeah. Quite frankly, the statement that it is your money and you deserve to know how it's spent and invested. His protest said specifically that that statement was not truthful and inherently misleading.

>> Yes.

>> And I will point out later about his reference to the 3.45% negative return for fiscal year 2018 is incorrect, and that's what I was challenging and I will challenge it again and make comments about it later.

>> Okay.

>> Rebuttal in.

>> Yeah. We can only do so many of those.

So the first question for you, do you mind if I use your first name, JJ? Henry?

>> Please do. The only one who uses Joseph is my mother and that usually means I'm in trouble.

>> Okay, okay. Not in trouble yet. JJ, what steps did you take in response to the

fiscal crisis that began -- oh, by the way, both candidates answer all the questions. We don't direct questions just to one person.

What steps did you take in response to the fiscal crisis that began in 2007, and what steps would you take to prevent a future fiscal crisis from doing significant harm to the CalPERS fund?

>> Well, 2007, I was at CSEA as the president, so I wasn't doing much. I came to the board in 2010. My -- and so I, quite frankly, worked real hard at improving how we did asset allocation, how we did risk, and have continued to push that we need to look at asset allocation differently. I question the use of cap-weighted indexes. I question the secrecy in fees that we were paying, all of which, I think, lead to higher returns. I also have spent 20 years promoting bringing stuff in-house.

>> Henry?

>> Thank you. Yeah. Thank you very much. The devastating financial crisis related to the recession 2007-2008 ended up costing CalPERS over \$100 million during that period of time. Subsequent to that event, I was the chair of the investment committee, and I charged investment staff to start looking at strategies and processes to implement so that in the event another occurrence like it was in 2007-2008, to be prepared so we won't be impacted the same way. It's not whether or not it's going to happen. It's going to happen. We just don't know when. What I did as a result of that charge, we looked at the discount rate. We reduced the discount rate from 7.5 to 7%. We changed the amortization rate. In other words, rather than paying for the debt over 30 years, we got to now pay for the debt over 20 years and say the state, the school districts, the cities and counties, a lot of money over that period of time. Then we changed the asset allocation to take some of the risk off the table, reduce the amount allocated to global equities and increasing the amount to fix income and therefore reducing the possibility of a loss if there's another downturn.

We also created a liquidity account. When the current happened before, we had to sell stuff to keep paying benefits. Benefits don't stop. We created the liquidity account in the event that that happens again, we have an asset to help pay the benefits without selling our equities at the lowest point in the marketplace.

>> Rebuttal?

>> I would just point out, we were over a little over 101% funded when Henry got elected. We were just a little under 61% funded when I got on the board.

>> Just remember, with rebuttals, they're to correct misinformation, not to add more information. Just because we'd be here all night.

>> And I appreciate that. But the point is that the 101% Mr. Jelincic referred to that we were funded, it wasn't a result of anything the board did. It was a financial crisis, and all pension funds in the United States and all businesses in the United States lost a lot of money. So I don't see how he could pin that on Henry Jones.

>> All right. You'll notice when you -- when you are the last person to answer the question, you'll be the first one up. So Henry, this is for you. Both of you.

It's lately been revealed that all internal audits are kept secret and the board doesn't discuss audit findings. Will you support accountability and transparency and lift the veil of secrecy on these audits?

>> First of all, all internal audits are not confidential. There are some that are public. And there are some audits that are confidential. Once the confidential audits have been addressed and responded to, yes, I would support releasing the audits.

>> JJ.

>> I don't know what -- how answer this when people are not constrained by fact. When we audit an outside agency, we put that audit up on the website. When we audit our internal functions, it is classified either confidential or attorney-client privileged. We are a public agency, and when we are evaluating what we do, we should disclose that. So I actually would strongly support changing the current policy.

>> JJ, what specific actions have you taken or will you take, and do you -- if you believe that there is to reduce waste, fraud, and abuse by the board and/or staff?

>> Waste, fraud, and abuse. Everything I've ever heard about government says we can solve all the problem if we can get rid of waste, fraud, and abuse. Quite frankly, we need to continue to monitor or make sure we're paying benefits appropriately. We should work at being efficient. We should not be, you know, physical awe haven'ting around the globe or travel that is not directly related to our investment or health process. I think we need to really focus on bringing costs down, and that includes bring more of the asset management in house, and bring private equity in-house as well if we're

going to do it.

>> Henry.

>> I thought the question was fraud and abuse. What fraud and abuse, it's unacceptable in any institution, and we have developed a strategy to deal with fraud and abuse in CalPERS, and matter of fact, the CO provided for a strategic plan to deal with that and those items are discussed in terms of the audit committee in closed session about highlighting those types of instances and then when the results of the follow-up of the investigation had been completed, it's reported out. And that's the case in a lot of instances where fraud may involve personnel action. You don't disclose the person involved to the public until you've done your investigation so that you're not demeaning the reputation of an individual until you have all the facts.

So, of course, I would support any action that will improve our dealing with fraud and abuse.

>> What concrete steps should the board take to improve the funded status of the PERL?

>> The -- oh, I thought you were referring to the --

>> You go first. You.

>> What concrete steps should the board take to improve the funded status of the PERF?

>> A number that I've already identified about the lowering the discount rate, also the amortization rate changes and also the asset allocation, those are all steps to take so that you can improve the funded status. I think the other thing is gaining the confidence of the governor and legislature also helps, because as a result of the last governor, Jerry Brown, provided \$6 billion to CalPERS to help the unfunded liability for the state employees. The governor Newsom also provided \$3 billion to CalPERS to help the unfunded liability for CalPERS for state employees. We also have established another fund that allowed the local agencies to prefund some of their required retirement benefits so that that will improve the long-term sustainability of the fund. So those are just some of the steps we've already taken and will continue to take to improve the funded status of the fund.

>> JJ.

>> You increased the funded status for the PERF3 ways. You get more money in through higher contributions. You get more money in through higher investment returns. You cut benefits. I certainly won't support cutting benefits. As one of the things that is a key factor is asset allocation. How much do you put in stocks versus funds versus real estate? But one of the things that we need to focus on is cash flows. I've argued this before. It was rejected, although I understand staff is now looking at it.

What we need to do is identify the benefits and costs we're going to incur for the next four years then identify assets that will provide that cash. We can then take the other assets which we don't do not need for the next four years, say, and actually invest them to get higher returns.

The truth of the matter is, if you want higher returns, you'll have to take more risk. But we really need to make sure we have the money to pay the benefits. And so that means we need to, again, focus on cash flow. Quite frankly, the discount rate has been a political football, and it actually needs to reflect the portfolio we have.

When we moved to this portfolio just before I left the board, I pointed out that the expected return on the portfolio was six and a quarter and that's where the discount rate should be. I was told I didn't know what I was talking about. Last month Ben said this for the folio will earn 6.1 and suddenly it's possible.

We need to be realistic about the discount rate.

>> Rebuttal?

>> Yeah. I think it's important to note that the discount rate of 7% has two components in it. One -- the year of one to ten, which is around 6.1, and a ten to 30-year discount, which is a higher rate. It averages out to 7%. I think it's important to note that that's the case.

>> Not --

>> Okay.

>> Not sure that was rebuttal. But --

>> JJ, it's public knowledge and administrative law judge found you guilty of sexual harassment. This is a question for both of you. At what point should a candidate or sitting board member consider resigning in the face of substantiated allegations of misconduct that result in statewide elected officials and sitting CalPERS board

members calling for withdrawal or resignation.

>> I'm first? Well, let me start by saying this is a hit piece and it's a nine-year-old event. A column 50, an opinion writer for the Sacramento bee in coordination with CalPERS management larged this attack. It's been supported by a campaign spending over \$100,000, funded partly by SEIU721 and the rest by dark money. By equating sexual assault with complimenting shoes, he downplays the seriousness of sexual assault. It would also suggest he has an agenda. I would point out that I was -- it was not even alleged that I touched anyone, propositioned anyone, smelled anyone's hair, or even asked them to join me for a cup of coffee. I did compliment crystal on her shoes. I did not intend to offend her. Obviously, I did. And I apologize for that.

The management of CalPERS and the SPB both decide letter of reprimand was appropriate. That's happened, and the matter was closed. It has not happened again. I do recognize that times have changed, and I'm sorry to have offended.

I want to talk about the Ma letter in particular. If it was anything other than a political piece, she would have sent me a copy. Her own representative said we acted immediately, do not know the history, and it doesn't matter. When you do a career assassination and acknowledge that you don't know the facts and don't even care what they are, that's deplorable. It's very consistent with the Trump attitude. I think that the victims of sexual assault deserve more respect and that the retirees certainly deserve better.

>> I think, first of all, Mr. Jelincic should have apologized back in 2011 rather than over a decade later for his actions, because they are unacceptable in the workplace, in California, or in the United States, or any institution that I'm aware of. And you cannot have a situation where people are afraid to come to work or feel threatened to come to work in that kind of environment. So you reduce members' morale, et cetera.

On the Fiona Ma comment he made, I'm honored to have support from her and the former treasurer, John and governor brown. Additionally, there are a number of labor unions supporting my campaign, in some cases doing so with independent expenditure. I appreciate their support and confidence as well. While I'm legally not allowed to contact with any organization conducting an independent expenditure on behalf of my campaign, I'm sorry if anyone felt misled by the envelope of the mailing. The letter,

however, is entirely factual.

>> Rebuttal?

>> I was found guilty of violating the zero-tolerance policy. I apologized at that time for violating the policy.

>> One more question on this subject. What recourse should concern CalPERS team members have to protect themselves from future instances of sexual harassment?

>> Well, I think they should report it right way. -- is that me or JJ?

>> You.

>> Yeah. I think they should report it right away. I think that you have a board that consists of a number of members who will not let this go by without challenging the perpetrator. I think eventually it should be forwarded to the administrative hearing judge to be documented. And I think it's important for the public to know the board has limited tools in order to deal with someone that has been guilty of violating these provisions. They're limited to taking away their travel, removing from committee assignment or do a public sanction. Those are about the only two. I would support some kind of legislation that will go further than that to have consequences for that kind of action.

>> JJ.

>> If they are subject to sexual harassment, they should file a complaint. We have a process in place. They will get the protection they have. If they go beyond that, they have a legal right to a non hostile environment. They have the ability to seek a legal recourse and if that's what they want to do, I would encourage them to do that. The law is the law and the resources are there. The system has the ability to punish anyone, any employee, for sexual harassment. Up to and including termination, if it's warranted.

There are limits to removing elected board members, but that's the law. I mean, elected board members are elected. There are things called elections, and, you know, you could make the argument that -- and quite frankly, Henry has suggested maybe we go to legislature. I don't think you get a Bill through the legislature that allows you to remove somebody from office on the allegation of complimenting their shoes. Thank you.

>> A rebuttal?

>> Yeah. I think it's important that it's not misleading, that board members can be

removed through election if it's the fourth year of their term. I think it's important to note that. Cannot be removed otherwise.

>> Okay. JJ, what will you do or have you done to protect pensions that have defined benefits?

>> I spent 33 years working in the investment office. Obviously trying to help fund defined benefits. I think every board member, and quite frankly, every union member, or at least union leader, has actually spent time talking to the public trying to explain the real value of defined benefits.

That we also need to acknowledge it's deferred compensation. It's things people have earned. When Stockton filed its bankruptcy, one of the things that was raised was the issue of, well, cut the benches. And it was actually the city that says, you know,, that's an essential element of hiring public employees. If we do not have a defined benefit, if we cut pension plans, we are not going to have defined -- we won't be able to hire employees. I'll point to the city of San Jose, which mayor reed had the great idea, well, we can cut the pensions and increase the amount of employees that contribute and it's not going to effect employees. And it's not going to affect the hiring abilities. Yet, for some reason, the police department got cut in half. You know, the reality is a lot of people are in public employment and accept -- the lower wages in pub n exchange

When we send out pension checks, people don't put it under their mattress.

>> Henry.

>> Yeah, thank you. I think it's important to define benefits and to educate the public about defined benefits. Most public members don't know that 59 out of every dollar being paid to retirees is coming from investment returns and they don't understand that that employee has paid in 20, 30, 40 years, about 13 out of every dollar for the benefits to be paid for the rest of their riffs. I think we need to debunk that theory with the public that all pensioners are receiving over \$100,000 a year, which is untrue. Only about 3% of the 600,000 retirees are getting that kind of money. Matter of fact, the average pension benefit is \$2,795 per month. That's a lot less than \$100,000 a year. If you want to take another statistic, 63% of all retirees are only earning about \$3,000 a month. And we also need to expand our ambassador program where we went out with our stakeholders and retirees and provided information for them to use to go and talk to the

public about the benefits of a public pension plan. So we need to continue to do that. And I will continue to meet with retirees across the state to enhance their program. And I do agree that the economic impact is important. The \$21 billion a year we pay creates 994, \$000 million in sales and Knoll taxes and creates 136,000 jobs because I agree with Mr. Jelincic, they don't put the money under the mattress, they go spend it. It's having a very positive economic impact, and I think we need to educate the public so they understand it's not just draining their tax resources.

>> Henry, do you support the board's decisions to create two new companies to invest our companies in long-term hold and late-stage venture capital private equity strategies?

>> Yes, I do. The reason is, is that when I got on the board, private equity allocation of the asset allocations was hovering around 10% of our resources. As the fund has grown, that number has decreased in terms of allocating money to private equity. Matter of fact, this past term, the allocation that was reported or actually a month ago, was only 7.5%.

So if you have an asset that's earning the highest return of all asset classes, why would you let that continue to go down? The problem is that everybody's trying to get into private equity. So you need a strategy to say, how can we avoid the old approach and come up with a new process to allocate funds to the private equity plan. So that's what I believe we should be doing and I do support it. And, of course, that the board has into the adopted that yet. We're still receiving information in terms of what the consequences are and how that may go about. We've engaged our consultants to walk side by side with the staff to look into these issues and so you ultimately will come back for board's final decision.

But I think we need to look at ways we could add more money to private equity, because it's been -- over the last 20 years, the highest asset returning at 16.1%. No other asset in our asset classes are earning that kind of return so we need to beef up that and find a way to at least get it back to 10%.

>> Private equity is our highest returning asset, but nobody, not even the industry, claims it's the highest returning asset on a risk-adjusted basis. If we were going to do private equity, I believe we bring it in house. We can cut the costs of that program in

half. But let me describe the current plan that is on the table. CalPERS will create a company, actually, two companies. One for late-stage venture capital and one for long-term investing.

They will create this company. They will give it away. The new owners will create an advisory committee that they will appoint. That advisory committee will approve their budget. The trust fund will fund the budget. The new companies will create a limited liability corporation as an investment vehicle that CalPERS will not own. CalPERS will fund the investments for that LLC.

And the management will give PERS back money if and when it decides that's appropriate. That's the plan as it currently exists. I would say there's not only not a particularly good plan. I would say it's done right imprudent. How many of you would give me your own money to manage under that scenario?

The private equity does have a role, but it is not that structure.

>> You already answered that one. Do you have a rebuttal?

>> Yes, I do.

>> Okay.

>> Yes. I think --

>> This is on defined benefits.

>> Oh, no, I thought it private equity.

>> Private equity, yes.

>> Okay. Thank you. Yeah. I think the notion that would not be any transparency in the new model is not true. Matter of fact, we have a process that showed that the -- while the public would receive the same information under the new model that they receive now, the staff would have even greater transparency in the new model.

>> I did not say anything about transparency.

>> Okay. That's the idea with rebuttal. Okay. Now we'll begin with -- I forgot now who started the equity. That was Henry.

>> Yeah.

>> So JJ, what would change in CalPERS investment policy if you're elected?

>> What -- well, anyone who's read the CalPERS policy was run some -- seems like 600 pages but I think it's only about 90 -- could find lots of things to change. But I think

the real emphasis needs to be on looking at risk-adjusted returns, making sure we are investing for the long term, not the short term. Making sure we have cash flow to pay benefits over the next few years. So I would actually move the focus more to cash flows and making sure we can pay benefits. We can then take and take longer risks. We can do more long-term investments.

One of the things we do is we talk about how we are a long-term investor and we've contracted out a lot of it, except all the contracts have a 30-day clause. We review them every quarter. And you kind of have to wonder, well, what's the real message we're sending? Are we a long-term investor or are we not? I would also move away from cap-weighted indexes which says we will buy you because you are in the market and we will own you in the same proportion as the market. I advocated that we move to alternatives where you actually invest in things because you believe they will return investments. That was opposed by staff, was not supported by the board. A lot of the worker bees pushed it. Last year, for the first time, we had a years experience. The alternative betas outperformed the cap-weighted indexes by almost 800 basis points. We need to look at how we do things.

>> Henry.

>> Yeah. Thank you. I also think we need to look at the long term and I also believe that we need to let the investment professionals do their jobs. We have a new CIO that has presented to the board a short-term and long-term plan and I think we need to allow -- the board received that and the pushback to change it. I think we should allow the new CIO to implement and execute his long-term plan. And we already beginning to see some of the benefits from that with the latest report in terms of the segment allocation. What that is, is taking a portion of the global equities and create a different segment than the overall portfolio, and it showed that not only did it earn more money, this new segment, but it also reduced the risk.

So what more do we want if we want risk-adjusted returns is reduce the risk but also gain more money. And that action was taken and reported on at the August board meeting by the CIO that it is providing this kind of benefit to us. So I agree we need to let the CIO execute the plan the board has approved thus far.

>> Rebuttal? Oh, your phone is stuck?

>> Here's mine.

>> Here's mine.

>> Okay. I'll just take this moment to remind you you don't have to use the whole two minutes. If you can answer in less than two minutes, it gives us time for more questions. Ready? Okay. So we -- oh, you had a rebuttal. That's right.

>> Yeah. I just want to point out segment factors b are the same thing, alternative beta is what the industry calls it.

>> Henry, or both of you, starting with Henry. Have either of you been in violation with the FPPC, the fair political practices commission? If so, what was the reason and were you fined?

>> The answer to the question is not yet. To my knowledge, no, I have not to this point been in violation of an FPPC violation. However, in 2009, my opponent was found guilty and fined over \$2,000 of FPPC violation and fined for accepting contributions from the reelect chuck Valdez' campaign which the money came from, Villalobos, guilty of defrauding the district out of millions of dollars, and the contributions were even made after the election was over, and I saw this report that even indicated that Mr. Jelincic was advised by the FPPC that he needed to return the money and he did not. And so they subsequently fined him for \$2,000 and found him guilty of that occurrence.

>> JJ.

>> An unbelievable crock of stuff. Yes, I was fined by the fair political practices commission for receiving a late contribution. The -- Chuck Valdez had offered to make a contribution. The check got lost in the mail. They replaced it. I received it after the election, which I didn't realize was illegal. I got fined, and I was required to return it. For Henry to say that he has not violated fair political practices, I encourage you to go look at the state's website and look at his financial committee reports since 2011. He's required to file one every six months. They should be up on the website. In terms of saying that it came from somebody who defrauded the system, I assume that he's referring to Villalobos who was a placement agent who sold services. He was a commission sales man. He did -- nobody has ever said defrauded until today in his campaign statement -- has never said he defrauded CalPERS. If he, in fact -- if people

believed he defrauded CalPERS, then quite frankly, they were negligent in not seeking to recover the money from him. There is an argument that he, and I think a good one, that he defrauded one of our vendors, but that is not defrauding the system.

>> Well, you --

>> Rebuttal?

>> Yeah. If you tell me having this current, then-CEO falsify a document to indicate the investment office had approved that if that's defrauding, I don't know what is.

>> It's not defrauding the system.

>> JJ, do you support development of 301 capital mall, and if so, why? If not, why not?

>> You know, we -- for those of you who don't know, it's the big hole in the ground over on capital mall. Yes, it needs to be developed. The current plan is still largely secret. The board approved a development plan for that even though the independent counsels they hired to give due diligence and a opinion report said it was not a prudent investment.

So the details are still kind of vague. But it -- that's not the development. I will also point out that the Sacramento business journal was the first people to report on it. They said that the source of information was from staff and CIM, the money manager. The board chose to do an investigation, trying to prove that the Sacramento business journal lied and the leak was Margaret Brown. Let's be honest.

Let's be up front about what we are proposing.

>> I think that's a complete -- making attorney a board member. I think that's a closed session issue.

>> Okay. No closed session issues, JJ.

>> Well, I wasn't -- I wasn't in the closed session, so I don't know which part of that was closed session. The fact that the opinion was negative is public information. The fact that the board voted for it despite that is public information.

>> The fact he's making reference to the board member leak information has not been discussed in public by the board.

>> Okay. Henry, do you support the development of 301 capitol mall? If so, yes, or why not?

>> With modifications, because we have terminated the agreement with CIM who was the lead developer for the project and we are now seeking to find another vendor to work with the developer on the Knoll.

But the long-term estimates of that is still a piece of prime Knoll that could be developed and so we have -- we own it already. So it's not like we're going out and buying it. So it's the development aspect of the Knoll. But we did terminate the agreement with CIM and are looking for a new partner.

>> Rebuttal?

>> Yeah. The termination of CIM is interesting but it's also not public information that obviously had to be discussed in a closed session. We only choose which closed sessions we worry about, I guess.

>> That -- that was reported out of closed session.

>> There's a question about closed session. We begin with Henry. There have been complaints that the board is violating Bagley-Keene by discussion issues in closed session that belong in open. Such as the co-investment discussion in April. Will you enforce Bagley-Keene transparency requirements and limit closed session to items that are strictly permitted?

>> The answer is yes, I will enforce it and, by the way, there -- many times there are two pieces to a issue. One part of it is -- can be discussed in open session. Another part cannot because it talks about investment strategies related to that issue. So all those items that are subjected to open session, I would fully support making that public. If it's a closed session item that is still being negotiated in terms of investment strategies, I will continue to support keeping that in the closed session until a decision is made. Once a decision, I think eventually all information basically that we discuss will eventually become public. It's just the timing element. And many times people want to know today rather than next month or the following month. But I will support eventually always making that information public once that part of the closed session has been dealt with.

>> I -- I think the board has been absolutely abusive of closed session use. The law is very specific. We are a public agency. We conduct the public's business. We conduct the public's business in public. There are very few things that are allowed in

closed session. Discussing legal strategy is appropriate in closed session. Reporting what happened in open session in court is not appropriate. Personnel matters may be discussed in closed session. Don't have to be. But may be.

There is an Attorney General ruling that says investment performance bonuses should be discussed and approved in open session. That's not the case. When you discuss how you want to structure a private equity program, it's not an investment decision. It's a policy decision. That belongs in open session and yet it has been consistently moved to closed session.

The board seems to think that it is their money. It is the beneficiary's money and we need to be absolutely critical and make sure that we are staying in closed session. Only for closed session items. If you're going to buy Henry -- Fred's shrimp boat in the Bahamas, you don't want to discuss that until you've completed the deal because somebody might front run you. But once you've bought it, it ought to be public. Private equity, we do not make our holdings public, even though the first thing GP did was put out a press release. I think we've Bouseed and continue to abuse the closed session.

>> JJ, after prolonged bad investment performance, would you fire the CEO and/or require the CEO to fire the C IO? Why or why not?

>> Can you repeat the question?

>> After a prolonged bad investment performance, would you fire the CEO and/or require the CEO to fire the CIO?

>> Yes. Quite frankly, the board has decided the CEO is responsible for everything. And I actually argued against it. I thought we ought to keep the CIO as a direct report to the board. I don't think we're ever going to fire a CEO over investment performance.

The issue becomes what's poor performance and what the cause is. But yes, ultimately the board has made a policy decision that the CEO is in charge and if there's bad performance the CEO needs to go.

>> Henry.

>> That's part of the problem with jumping to conclusions about a decision. You need to digest the question and the question is if you would fire for long-term performance. The question is what caused the long-term performance? Was the economic downturn? Sometimes we've had these downturns that lasted five, six years

and the market is constantly going down. And if that's an economic -- global economic situation that neither our staff nor staffs of other institutions can control that, no, I would not fire the CEO. But now if everyone else is making a whole lot of money and we're losing a whole lot of money, that's a different story I think you need to get the facts about any action you take before just saying, yes, I'll take that kind of action.

>> I would point out that my answer, I did acknowledge that it depend on the reason for the performance.

>> Okay. Henry. This is a question from a school retiree. How can we keep the cost of care affordable?

>> I think some of the steps we are working on -- first of all, the I know there's a difference between the healthcare for state workers versus school districts in many cities and counties. Having worked for a school district, those individual districts provide the basis for healthcare for the members even though it's managed by CalPERS but the fundamental costs of how much the employee is going to pay and how much the employer will pay is a local school district decision. So from district, 50%, some paying 100%. So the CalPERS is not in control of that component. However, the overall cost of healthcare, I think, CalPERS can do something about that. And that is why we are very engaged with the federal government in terms of this healthcare policy. That's why we have a pharmacy reference pricing so that we could make sure people not getting overcharged based on where they live. We have the reference pricing process, where certain kinds of surgery such as knee replacement go to one doctor and it's \$5,000, go to another doctor and it's \$10,000. That's unconscionable. That's the steps we're taking to bring those cost curves down so they are more affordable for our members. So that's what our new health director is looking at, finding ways. I think it's important to note that we need focus on the healthcare itself, not just cost.

We want to improve health for our members, so we need to also focus on that, not just the cost.

>> JJ?

>> I would actually agree with Henry, that, you know, we need to continue working on government policy. The reference pricing has been largely a success, and we need to push that out further. But one of the other things we need to do is bargain harder.

We are not -- when we see a 12% increase when they've announced it, that they made \$4 billion for the quarter, there's a problem there. Early on the board, I actually -- when Kaiser came in well above everybody else, I made a motion that says, Kaiser could keep its current members but not gain any new members because of the rate increase.

Quite frankly, that motion died. But it did deliver a message to Kaiser. If, quite frankly, if we keep telling the insurance companies, the healthcare providers, that they can charge us whatever they want and we will take it, we've got a problem. One thing I suggested and -- that didn't fly and I still think is a good idea is we need to create our own hospital. I would put a hospital in the middle of the center desert in the Bay Area. We can contract out to management. We don't have the skill for that. But we would learn a lot if we actually understood how hospitals actually run, what the actual costs were. It would give us a chance to learn something we can share with our other vendors, and quite frankly, every insurance company in the Bay Area if that's where the hospital is, would work real hard to make sure we have full maintenance because they don't like the costs and the profits that Sutter is sucking out either.

>> JJ, would you consider creating a website connected to your office that can be updated periodically with statistics like how many different job categories along with the message board for retirees to post matters of concerns, adding an e-mail address to the PERS main website so that retirees can voice their concerns directly to your office? Sounds like this is not feeling heard.

>> Sounds that way. Can you go through the list again?

>> It would be creating -- they're suggesting you create a website connected to your office that would be updated periodically with statistics on how many different job categories there are along with the message board for retirees to post matters of concerns. Or how about your e-mail address to the -- on the PERS main website so retirees can voice their concerns directly to your office?

>> My setting up a website for my office would be a waste of everybody's time. Don't have the skill set. The -- what people should be able to get to CalPERS board members. Ly tell you every single one of them has an e-mail. First name do the last name at CalPERS.CA.GOV.

I'm not sure what the question about the number of job classifications is about.

There's -- I will tell you the state has over 600 -- I'm sorry, over 6,000, and I'm willing to bet you most public agencies have at least several hundred and we have 20 -- we have over 2,000 public agencies so I'm not sure what the question is trying to get to or how we could practically do it.

>> Thank you. Yeah. I have an e-mail address and retirees know how to contact me. They contact me all the time. I think that is a vehicle for contacting their board member. I think it's important some of the information in the question is already available. They have my CalPERS account. If you haven't logged on to my CalPERS account, you should go to my CalPERS account because it has some of the information you are referencing. And you could make notes in there. Could you do searches to find out most of the types of information you may be interested in is already there. However, if there's a preponderance of need to provide additional information to that portal right now, I would like to know about it so we can pursue adding additional information.

We also have a Q&A section where generally questions are asked by the media or by individuals, and we publish the Q&A section on the website so you can get answers so I'm for making sure it's transparent and make sure you get the information you need and so if you go to mycalPers and you see something that's not there that you believe is important. Let me know so I can make sure that we can see if we can expand the information to spanned to your questions.

>> I would just add that a lot of the information is available at the main website, although I will explain more than once about the search function. But a lot of it is there.

>> Okay. This is the final question before we go to closing statements we have gone a little over time, we ask the candidates in advance if they minded if that happen when we saw so many questions. This is the last question and then we'll have two minute closing statement. So we're going to begin with Henry on this question: What achievements or what in your background, outside of calipers makes you uniquely qualified to serve on the calipers board?

>> On my opening, I spent 37 years with the L.A. Unified School District, and day I was appointed as Deputy Budget Director in 1978 was the same time Proposition 13 passed. I had had been on the job for a week, and superintendent said we had a \$500

million problem, because of prop 13, and the are damage director said how are you going to solve that. And I came up with strategies to convince the superintendent that he made the right choice and appoint Mead Deputy Budget Director. If the crisis in 1990 when, I became CFO, the state was in town turn and awful a S we had another financial crisis and I was able to pull together because of my background as a custodian, I knew that sometimes it's difficult to get to top management, so I created a budget advisory committee of all stakeholders, including custodians, police officers, teachers, et cetera, to help navigate through this problem and that was very successful, and board gave a department and an award for accomplishing that knoll and we were able to get an agreement on the strategies to develop how we were going to solve that budget problem. I am also very proud to, after I left the district, I worked for PricewaterhouseCoopers and I was advising school districts all over the country and I made recommendations to help then with financial aid going forward. So I'm very proud of those outside of CalPers.

>> Thank you, J.J.

>> Outside of CalPers, I have a very strange background. I was a garbage man, who was a truck driver. I was a banker. I already referenced my education, which obviously predated my employment here. My chart, financial analyst. Being a member of the international advisory committee for (Indiscernible) Risk Institute. I spent years as an active steward. I was a bargaining unit Chair. When I was a teamster, I was involved in the activity there. I'm the past president of the CalPers State Employees Association. I was going to talk about -- L I'll leave that alone. You know, I'm just kind of different. I am one of the only investment people in the country who actually started as a garbage man. And I will say, there's something more honest about a r garbage men, we call garbage, garbage. A lot of the stuff we call bureaucratic stuff, could probably are more appropriately called garbage. But that's an observation on public government, not necessarily CalPers.

>> Okay.It's time for closing statements and we have revert the order. So we'll begin closing statements I would like to offer my condolences today. Miller who lost his wife recently and they were doing a memorial today. That's part of the reason he's not here. I'd like thank you for moderate the forum. Elections are about choices and the retiree's

faith, a stark contrast whom they select is their trustee. Do you want someone who's interested in the work or someone interested in the perks? Someone who studies board material? Someone who shows up in the grease. Someone who will fight for you, someone who will go along. Someone with investment experience, someone who put together budgets. Someone who wants to avoid bad behavior or someone who wants to avoid bad press. Someone who believe that is management should not be hiding information from the board or someone who believes that that's okay and is actively helped withhold the information. Someone who believings the public's business should be conducted in the public. And someone who has abused closed sessions. Someone who believes in transparency, someone who doesn't. Someone who is honest about performance, someone who is not. Someone who believes that it's your money and you deserve to know how it's invested and spent and someone who file ace little action to block that. Someone behind retirees or supported by politicians. It's your money, it's your trustee. It's your choice. I ask for your vote. You deserve someone who is on your side. Thank you.

>> I'd like to thank league of Women Voters for conducting and facilitating forum. My written statements I'm going to deviate from. There are things referenced to me, are things that I filed a complaint against that they removed. So now, you could publicly repeat them, without any consequences the other big thing I wanted to mention about the processes that our annual return of 8.6 for 2018 is in our comprehensive financial report and represents the Fiscal Year, July 1 to June 30. And that number for that year, has been reported in that comprehensive financial report for at least 25, 30 years that I'm aware of. In the statements, he said it wasn't 8.6. It was a 3.5% return. Now, the government code of California says what a Fiscal Year is. A fiscal year is July to June the following year. He took his number from January to December. That is inappropriate and matter of fact, if the rating agencies of Moody's, and Standard and Poors, used that, CalPers would have been downgraded as a financial risk. Therefore, it is important to tell the truth. That's why I keep going back and back. You cannot use information to your benefit and then say that it's all factual, when it is not. So that's part of my closing remarks but I just want to let you know the selection is about choice and to protect the fund and ensure the hard working men and women of California. Thank

you very much.

[Applause].

>> The administrative law judge -- is on my website.

>> We don't have rebuttals or closing remarks. However, this concludes the CalPers board retired members candidate forum, and I want to thank Henry Jones, and J.J. for participating in this forum. I want to thank the League of Women volunteers, Claudia, kayleene, teres A.

[Applause].

We thank you, the audience who showed up in the room and asked good questions and for those that are on line, thank you for attending. We hope it's been informative. Now, ballot packages containing the candidate statements and ballots were mailed August 30. So you should have them. Ballots are due September 30 in order to be counted and retired members, you will be able to vote on line, by phone or by mail. The forum will also be available for viewing on the CalPers website. It will be rebroadcast. So the new term of office for whoever is elected will begin January 16, 2020 and run through January 15, 2024. Thank you for attending. Good afternoon. Oh. get a duplicate ballot if you did not receive your ballot. Be sure to get a duplicate. Thank you.

END TRANSCRIPT